

**TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE**



FISCAL NOTE

SB 785 – HB 1878

March 2, 2009

SUMMARY OF BILL: Eliminates the distinction between Class A and Class B beneficiaries for gift tax purposes. Increases the state gift tax exemption level by linking Tennessee to the federal gift tax exemption level.

ESTIMATED FISCAL IMPACT:

Decrease State Revenue - \$500,000

Assumptions:

- According to the Department of Revenue (DOR), this bill will effectively eliminate Class B beneficiaries and tax the respective estates at current Class A beneficiary rates, which are lower rates as compared to the current Class B beneficiary rates.
- The fiscal impact of this bill is dependent upon multiple unknown factors such as the number of gifts that would no longer be taxable due to the linking of Tennessee to the federal gift tax exemption level, the extent of what those gifts might be, the number of gifts that would be taxable at the lower proposed gift tax rate, and the extent of what those gifts might be. As a result, determining a precise fiscal impact for this bill is difficult. However, and based on information provided by DOR, the decrease to state revenue is reasonably estimated to be \$500,000 per year.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in cursive script, reading "James W. White".

James W. White, Executive Director

/rnc

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